

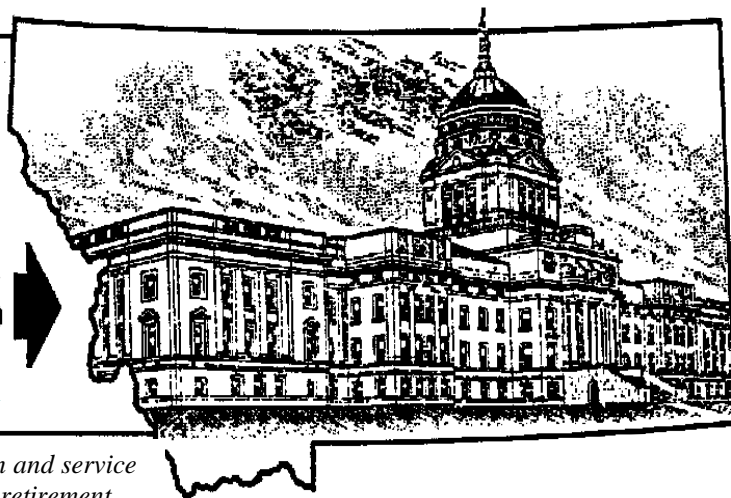
Montana Public Employee Retirement Administration

MPERA

DIRECTIONS

For Members

WINTER



The MPERA will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

We're moving!



In an effort to serve members more efficiently, the Montana Public Employee Retirement Administration (MPERA) is expanding

its workforce. As a result, our current office space which has been "home" to retirement system staff for over 32 years is no longer adequate.

We will be vacating our present space within two months. Our new office will be located at:

100 North Park Avenue
Helena, Montana

Services to members will continue with minimal interruption. Our existing telephone numbers will remain the same:

Toll-free: 1-877-275-7372 or
406-444-3154.

2001 Legislature Considers Retirement Issues

Several house and senate bills being considered by the 2001 Legislature are retirement related. This issue of *Directions* provides a brief summary of the two bills proposed by the MPERA to generally revise the public retirement laws and the PERS defined contribution plan. In addition, a brief explanation of other retirement related legislation is provided. Following the 2001 Legislative Session we will provide a more in-depth synopsis of the changes to retirement system law.

HB 152 - Generally Revise Retirement Laws - Sponsor: Rep. Dave Gallik

Each legislative session, the MPERA submits proposed "housekeeping" amendments which generally revise the statute for the Public Employees' (PERS), Judges' (JRS), Highway Patrol Officers' (HPORS), Sheriffs' (SRS), Game Wardens' and Peace Officers' (GWPORS), Municipal Police Officers' (MPORS), and Firefighters' Unified (FURS) retirement systems, and the Volunteer Firefighters' Compensation Act (VFCA). Interpretation of

Judy Martz, Governor

Public Employees' Retirement Board

Terry Teichrow
President

Carole Carey
Vice-President

Robert Griffith
Jay Klawon
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Official publication of the
Montana Public Employee
Retirement Administration
(MPERA).

Should any information in this
newsletter conflict with statute
or rules, the statute or rules
will apply.

(Legislation continued on page 2)

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(Legislation continued)

state and federal law and court decisions require constant changes in our public retirement systems. The intent of this general revisions bill is to refine the retirement systems, improve member benefits, and make the law easier to understand. The proposed amendments included in HB 152 will change the language and terminology, clarify definitions, utilize terms with more precision and consistency, and simplify administration of the systems. This will provide clarification of the intent of the law and also consistency in and between the retirement systems. Changes will generally improve the benefits and the MPERA administration of them.

‡ **HB 116—Generally Revise the PERS DC Plan**
Sponsor: Rep. Douglas Mood

House Bill 116 will generally revise some of the laws for the new defined contribution plan. It may seem unusual that we would need to change the laws before we implement the plan. However, the changes will amend our statutes, so they will comply with the requirements of the Internal Revenue Code (IRC). If we are in compliance with the IRC, the new plan will be a qualified plan. A qualified plan has several advantages, but the most important is that contributions and investment return are tax deferred. In other words, you won't pay income tax on your contributions or on the money the contributions earn until you receive them as a refund or benefit payment from the plan. In addition, our statutes require the plan be a qualified plan before we begin operation. Most of the changes are technical and ensure compliance with the IRC. These changes won't change how the plan will operate or the benefits it will provide to members. A few changes are the result of amendments to other state and federal laws, and some are editorial changes that should make the law easier to understand.

‡ **HB 74 - Increase GWPORS Retirement Benefit**
Sponsor: Rep. Edith Clark

Increases the GWPORS retirement benefit formula from 2% to 2.5%.

‡ **HB 283 - Window of Transfer from PERS to SRS - Sponsor: Rep. Dick Haines**

Provides for a sheriff to transfer PERS service to the SRS between July 1, 2001, and July 1, 2003 without paying the full actuarial cost to transfer this service.

‡ **HB 294 - Authorize Retirement Boards to Increase GABA; Increase PERS Minimum Purchasing Power - Sponsor: Rep. Dave Lewis**

Increases the Guaranteed Annual Benefit Adjustment (GABA) for retirees in certain retirement systems from 1.5% to 3%. Grants an adjustment which provides a PERS retiree 75% of their benefit's original purchasing power. (Affects those who retired prior to 1982.)

‡ **SB 37—Increase Working Retiree Hour Limit**
Sponsor: Sen. Dale Mahlum

Increases the limit for a retiree to return to work in a position covered by the PERS to 960 hours. This new limit would apply to all retirees, including those retired under the Retirement Incentive Program.

‡ **SB 89 - Revise GABA - Sponsor: Sen. Mignon Waterman**

‡ **SB 235 - Revise GABA - Sponsor: Sen. Vicki Cocchiarella**
SB 89 reduces, from three years to one year, the wait for retirees to receive the GABA. SB 235 allows a retired member of a retirement system to receive a GABA while employed in a position covered by another retirement system.

‡ **SB 227—Date Extended to Buy Military Service - Sponsor: Sen. Jack Wells**

Extends to July 1, 2003 the date allowing eligible members of the PERS to purchase certain military service for less than the full actuarial cost.

‡ **SB 228—Revise Highway Patrol Retirement Eligibility—Sponsor: Sen. Pete Ekegren**

Makes all members of the HPORS eligible for a service retirement benefit after 20 years of membership service, regardless of age.

‡ **SB 210 - Sponsor: Sen. Mignon Waterman**

‡ **SB 236 - Sponsor: Sen. Duane Grimes**

Modify Optional PERS Membership

SB 210 allows employees of county hospitals and rest homes in first and second class counties the option to become PERS members. SB 236 allows Legislators additional time to choose to become members of the PERS.

‡ **SB 284—Increase GABA**
Sponsor: Sen. Tom Beck

Increases the GABA from 1.5% to 3% for retirees of the retirement systems administered by the MPERA.

Good News For Deferred Compensation IRS increases deferral limit.

The maximum amount an employee may contribute to the State's Internal Revenue Code Section 457 deferred compensation plan is established by the Internal Revenue Service. On November 21, 2000, the Internal Revenue Service announced an increase in the annual contribution limit for the calendar year 2001. The maximum annual contribution limit is now the *lesser* of 33 1/3% includable compensation or \$8,500. Includable compensation is defined as gross salary less all pre-tax deductions.

For university system employees, deferrals to the State 457 plan must be coordinated with deferrals to the university system's 403 (b) plan. It is the responsibility of the employee to ensure he or she does not over contribute to either plan.

If you have questions about how much you can defer or if you would like to change your deferral amount, please contact the plan's contracted third party administrator, BenefitsCorp, at 449-2408 or 1-800-981-2786

Need information?

Contact us at . . .

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Web Site: <http://www.state.mt.us/doa/perb/perb.htm>

Questions?
Just contact
the MPERA!

DIRECTORY OF MPERA CONTACTS:

Benefit Questions:

Bernie444-3953
Carrie.....444-5460
Kathy H.....444-3978
Marjorie444-5454

Disability Benefit Questions:

Ian.....444-5444

Family Law Orders

Lucie.....444-7939

Payroll and/or Account Balances

Mary.....444-5458
Jere.....444-3147

Refund Information:

Doreen.....444-2953

DC Plans:

Kathy S.....444-2996

DC Education:

Carolyn.....444-3537

Defined Benefit Plan Annual Statement Mailed

By now you should have received your Defined Benefit Plan Annual Statement. Statements were mailed in August to over 30,000 members in approximately 500 agencies. If you have not received your annual statement, contact your payroll clerk or the MPERA office.

The MPERA received very positive response to the revisions and the new information contained in this statement. If you received your statement from your payroll clerk rather than at your home address or if your mailing address was incorrect it is important that you provide us with your current mailing address. (Your statement provides information and a space to make an address change **in writing**.)

Keep your beneficiary info current . . .

Your annual statement contains personal information including your named beneficiaries. MPERA must be notified **in writing** of any changes or corrections. It is important to keep this information updated. When personal circumstances such as the death of a beneficiary or a divorce require a change in beneficiary, request a membership card from your payroll clerk to update this information for your retirement benefit. Also, remember to change the beneficiary for your:

- | Decedent's warrant
- | Life insurance
- | Deferred compensation benefit

Watch for the Spring edition of *Directions*! It will provide information on retirement related legislation enacted by the 2001 Legislative Session. In the meantime . . .

Use the following web site to track legislation of interest to you:
[http://laws.leg.state.mt.us:8000/laws01/plsql/law0203w\\$.startup](http://laws.leg.state.mt.us:8000/laws01/plsql/law0203w$.startup)

35,000 copies of this public document were published at an estimated cost of .102 cents per copy, for a total cost of \$3,570.00 which includes \$3,570.00 for printing and \$00 for distribution.

Retirement Systems in Excellent Financial Health

Your retirement system is in very good financial shape -- perhaps the best condition since the system was started.



How did it get to be that way?

We didn't mortgage the future.

The Public Employees' Retirement Board and staff have long worked with legislators to ensure current funding for benefit improvements granted. The legislature generally agreed that the retirement system could not simply give away benefits without proper funding.

Administration is very efficient.

The annual administrative cost to collect contributions, to invest the pension trust fund, and to pay benefits is 12/100 of one percent of the fund balance. The average general equity mutual fund has an annual expense ratio of 1.44% of investor assets. In addition, trading costs for an equity fund may be expected to subtract an additional 0.5% to 1% annually from earnings. Bond funds are cheaper than equity funds, but bond fund expenses are still several times the cost of your pension trust fund's balanced portfolio. Your retirement trust fund is efficiently administered and we pay you a guaranteed benefit.

Pension trust fund earnings have been unusually good.

In the early 1990's, as interest rates fell, bond prices increased dramatically. The bond portion of the pension trust fund had tremendous earnings. From 1994 through 1999, the stock market rose at historic levels. During that period of time, the equity portion of the pension portfolio did historically well. This performance is not expected to continue. However, even moderate future earnings will produce more than might have otherwise been expected because the fund on which those earnings are calculated is larger than could have otherwise been expected.

Check out our web site . . .

<http://www.state.mt.us/doa/perb/perb.htm>

To better serve our members, we continually increase and improve information contained on the MPERA web site. Our web site includes:

- | Member handbooks for all retirement systems (updated in 2000).
- | Current and past issues of the *Directions* member, employer, and retiree newsletters.
- | Dates for Board and Advisory Council meetings, Pre-retirement Seminars, Employer Workshops, etc.
- | The 2000 actuarial valuations for all retirement systems.
- | Frequently Asked Questions (FAQ's).



The Montana Public Employees' Retirement Board has been awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR).

The Certificate of Achievement, awarded to Roxanne Minnehan, Fiscal Services Bureau Chief, is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. Its attainment represents a significant accomplishment. The CAFR requires a lot of time, skill, attention to detail, and the dedication of several individuals. The MPERA Fiscal Services Bureau staff strives to improve upon the information provided each year.

The CAFR has been judged by an impartial panel to meet the high standards of the program. These standards include demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.